Agenda for the Economic Vitality GMAP Session 07-27-05

- This report is focused primarily on the Governor's job creation priority. Goal: 250,000 jobs by the end of 2008.
- We start the conversation at the 40,000 foot altitude and then drill down.
  - Slides 1-4: Overview of 250,000 jobs goal
  - Slides 5-9: Level I: The big picture – some factors at the national and global level drive our local economies
  - Slides 10-14: Level II: Coming closer – other policy areas affect job creation: transportation, education, quality of life
  - Slides 15-43: Level III: What our state agencies specifically do to influence a healthy economy and getting people jobs.

Economic Vitality GMAP

Focus on: JOB CREATION

Governor's GMAP Forum

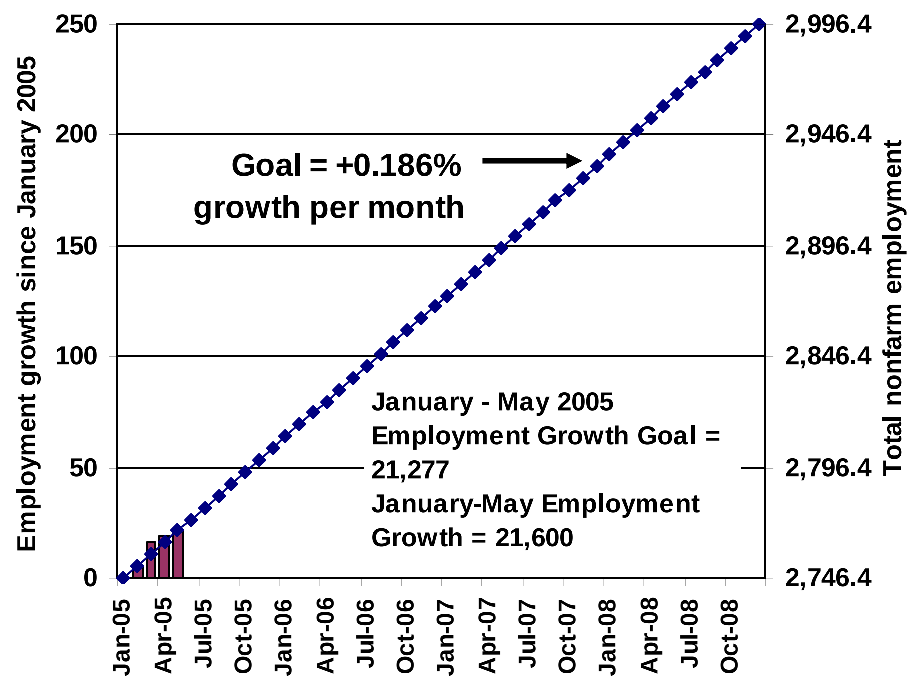
June 27, 2005

Overview: 250,000 Jobs
Basic Employment
and Job Creation

Analysis:

- Job growth slowed somewhat in April and May, after exceptional gains in first quarter.
- Hiring is widespread across industries and the outlook is for continued increase
- Agricultural employment is off 4,000, or 3.2 percent from last year's elevated levels.
- Total nonfarm employment increased by 0.16 percent per month from 1990 through 2004. Quarterly growth averaged 0.64 percent for the same period.

Nonfarm Payroll Employment, Seasonally Adjusted (000s)



Employment:

- *Definition*: Total nonagricultural wage and salary employment.
- *Methodology:* Nonfarm employment, estimated monthly, benchmarked quarterly.
- *Weaknesses*: More timely than quarterly administrative records, but have larger errors. Excludes the agricultural sector.

Analysis:

- Employment growth picking up in King County.
- Slower growth along Pacific Coast and Northeast counties.
- Biggest counties accounting for bulk of new jobs.

County Employment Growth

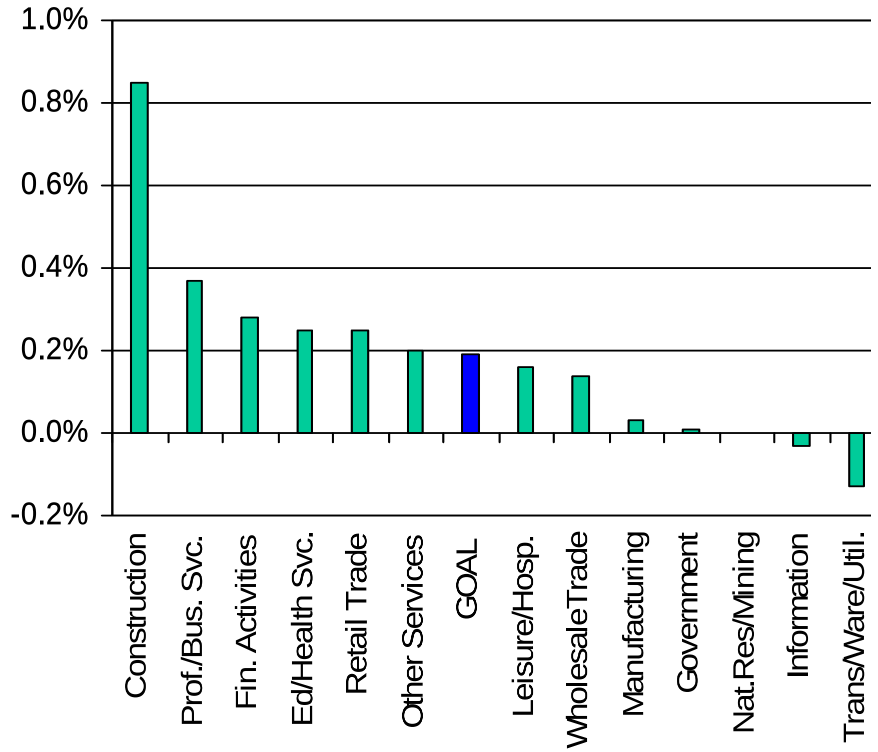
Employment Growth:

- *Definition*: Employment growth by county
- *Methodology*: Compares actual county nonfarm employment growth to the statewide average monthly percentage growth necessary to achieve a 250,000 increase in employment between January 2005 and December 2008. Near goal indicates growth within 10 percent of target (target=+0.186% growth per month).
- *Weaknesses*: County data subject to larger errors than state data. These data exclude agricultural employment.

Analysis:

- Growth strongest among Construction and its related activities (Financial activities and Retail Trade), Professional and Business Services, and Education and Health Services.
- Information and Transportation, Warehousing and Utilities are the only sectors losing jobs in 2005.
- Government employment is basically flat.

Average monthly employment growth by industry

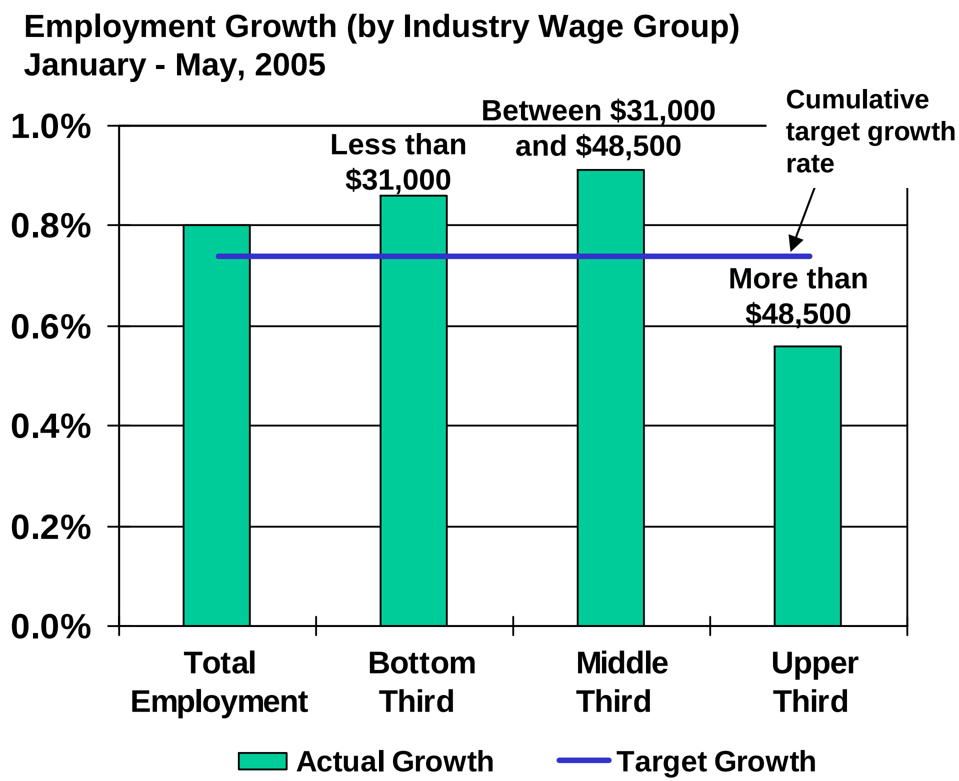


Employment Growth:

- *Definition*: Average monthly change in seasonally adjusted nonfarm payroll employment.
- *Methodology*: Compare monthly growth rate by industry to the average monthly percent employment growth rate necessary to achieve a 250,000 increase in employment between January 2005 and December 2008.
- *Weaknesses*: More timely than quarterly administrative records, but has larger errors.

Analysis:

- Strongest employment growth is taking place in industries with wages in line with statewide averages.
- Low wage industries adding jobs faster than high wage industries.
- This is not atypical during recovery phase of an economic expansion.



Employment Growth:

- *Definition*: Average monthly change in seasonally adjusted nonfarm payroll employment shown for industries grouped into thirds by their average earnings per employee.
- *Methodology*: Compare monthly employment growth rate to the goal, which is the average monthly percentage growth rate necessary to achieve a 250,000 increase in employment between January 2005 and December 2008.
- *Weaknesses*: More timely than quarterly administrative records, but have larger errors. Industry earnings data not adjusted for part-time or part-year workers.

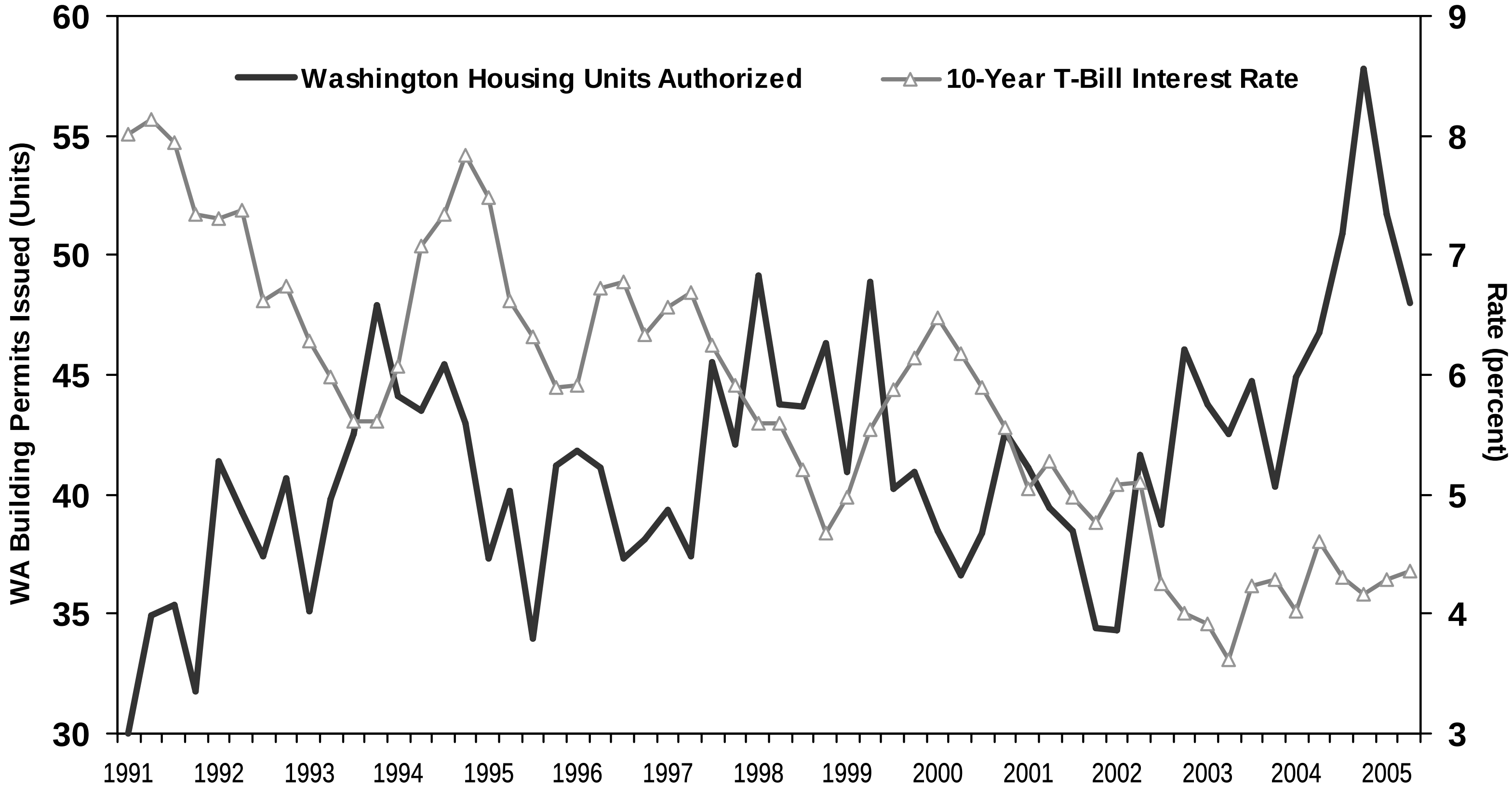
Level I: National and Global Factors that influence Washington State's Economy

Job Creation: *national and global factors*

1. **Interest rates:** Low interest rates stimulate the demand for housing, leading directly to employment growth in construction and housing-related retail.
2. **National GDP:** Washington employment growth closely tracks the performance of the U.S. economy, since many products and services produced in the state are sold to other regions in the nation.
3. **Currency Exchange rates:** A lower value of the dollar results in cheaper overseas prices of Washington exports, leading to an increase in export volume and employment growth in Washington's export industries.
4. **Crude oil prices:** Higher oil prices force consumers to spend more on energy and less on other goods and services, exerting a depressing effect on production and employment in Washington.

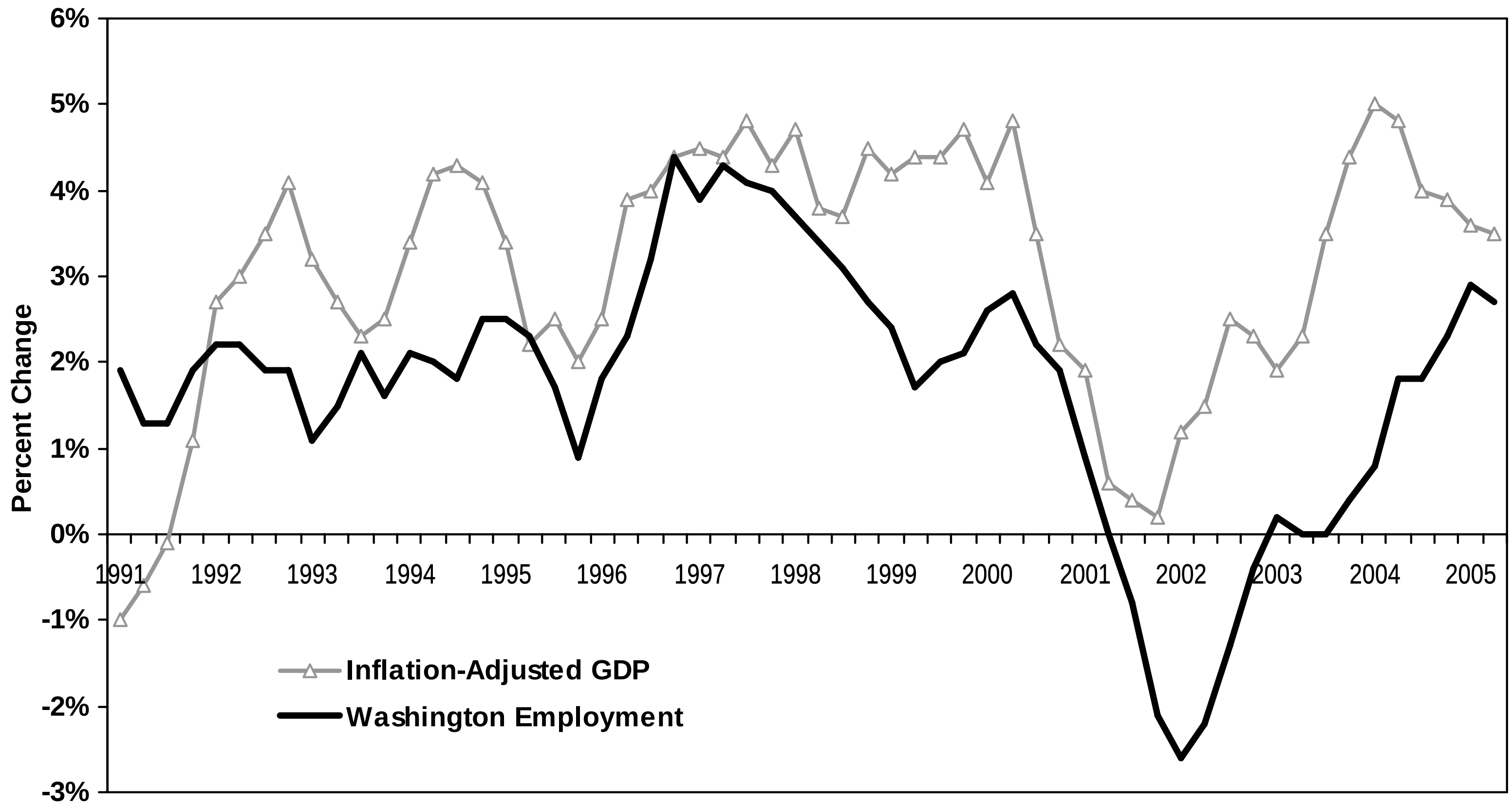
How do interest rates affect job growth?

Low interest rates stimulate the demand for housing, leading directly to employment growth in construction and housing-related retail.



How does the national economy affect WA job growth?

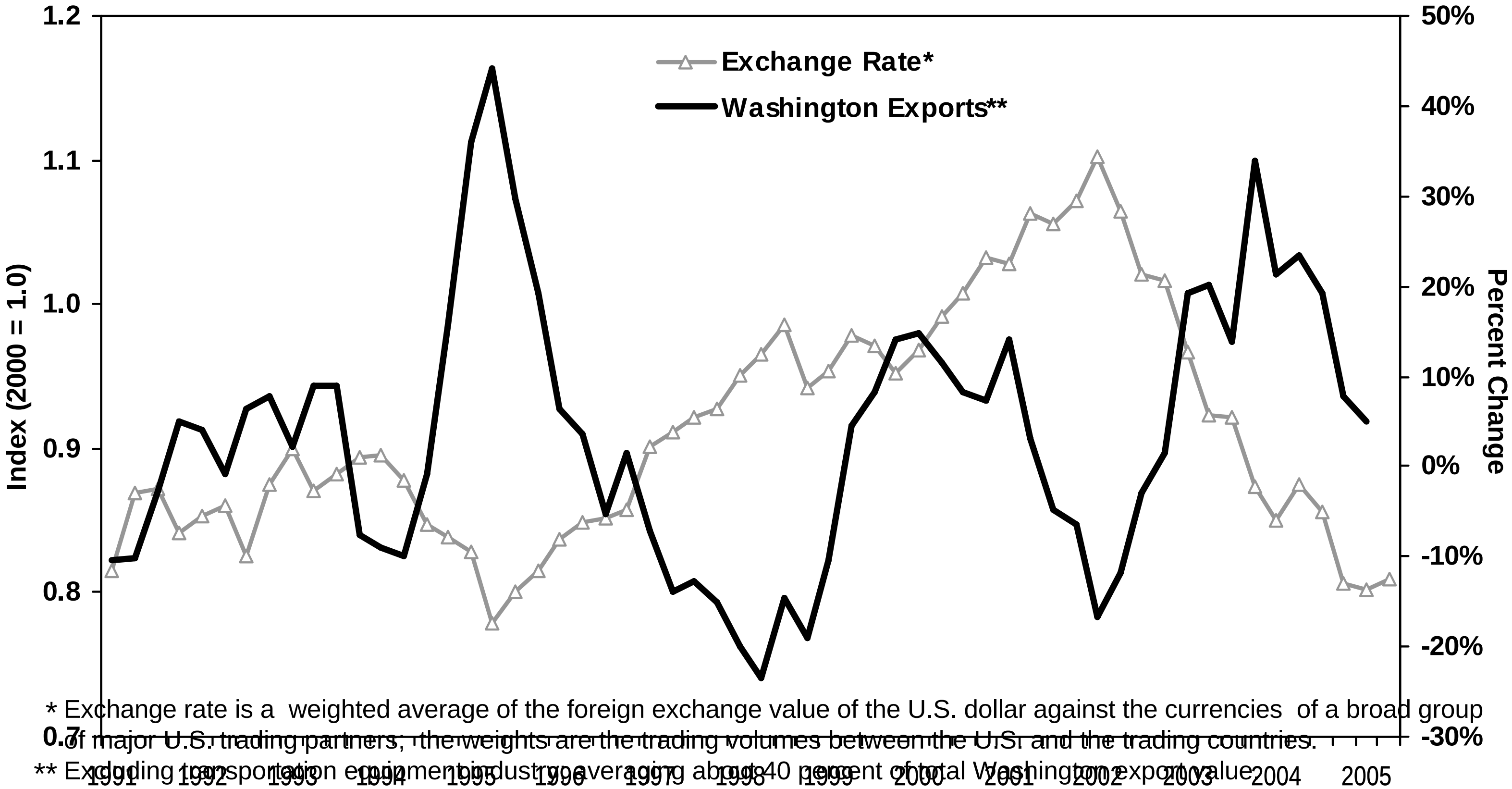
Washington employment growth closely tracks the performance of the U.S. economy, since many products and services produced in the state are sold to other regions in the nation.



Office of Financial Management

How does the value of the dollar affect job growth?

A lower value of the dollar results in cheaper overseas prices of Washington exports, leading to an increase in export volume and employment growth in Washington's export industries.

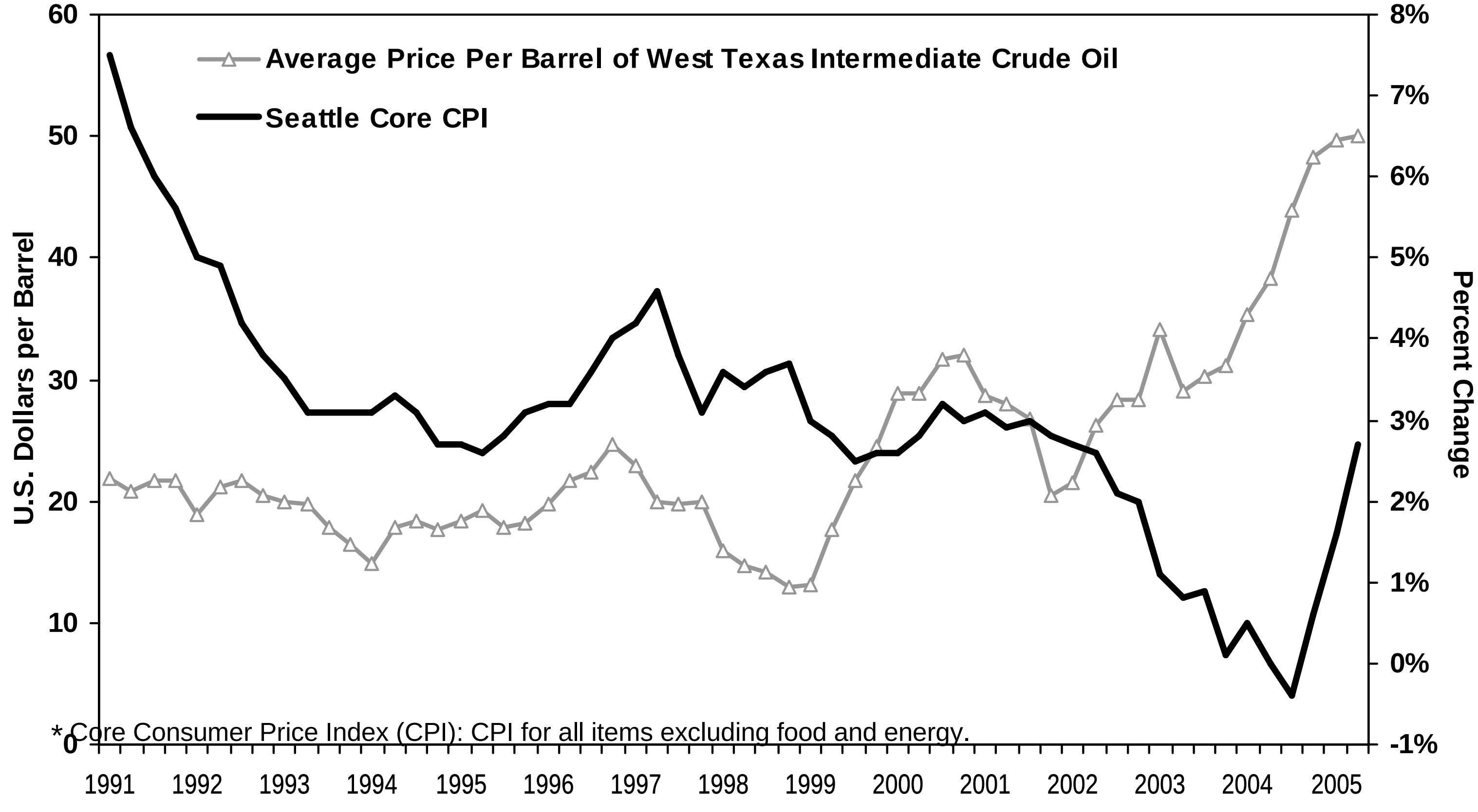


* Exchange rate is a weighted average of the foreign exchange value of the U.S. dollar against the currencies of a broad group of major U.S. trading partners; the weights are the trading volumes between the U.S. and the trading countries.

** Excluding transportation equipment industry averaging about 40 percent of total Washington export value.

How do oil prices affect job growth?

Higher oil prices force consumers to spend more on energy and less on other goods and services, exerting a depressing effect on production and employment in Washington.



*Core Consumer Price Index (CPI): CPI for all items excluding food and energy.

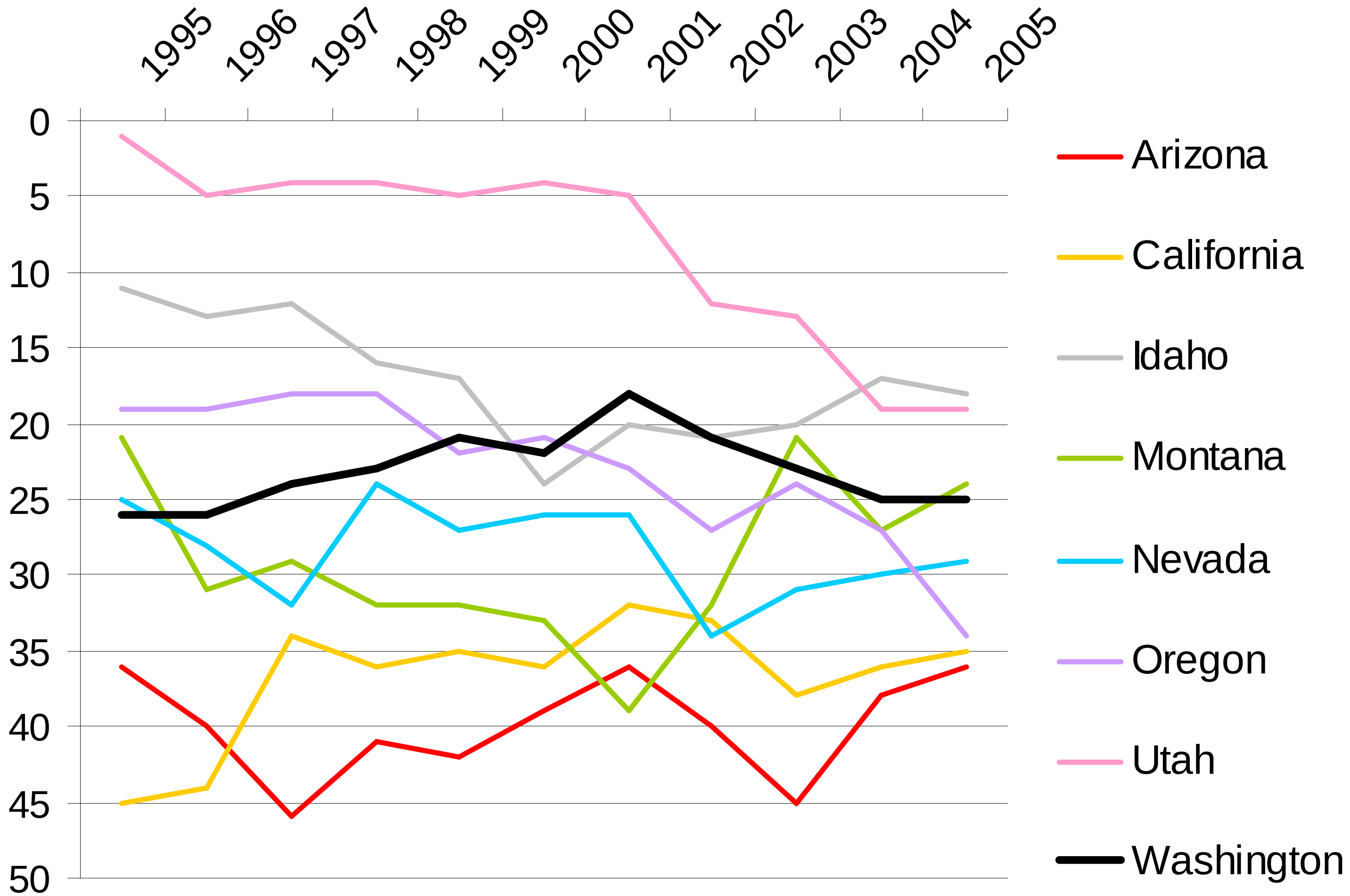
Level II: State Policies that influence Economic Vitality:

Transportation
Education
Quality of Life

Job Creation: *state policies and variables that influence job creation*

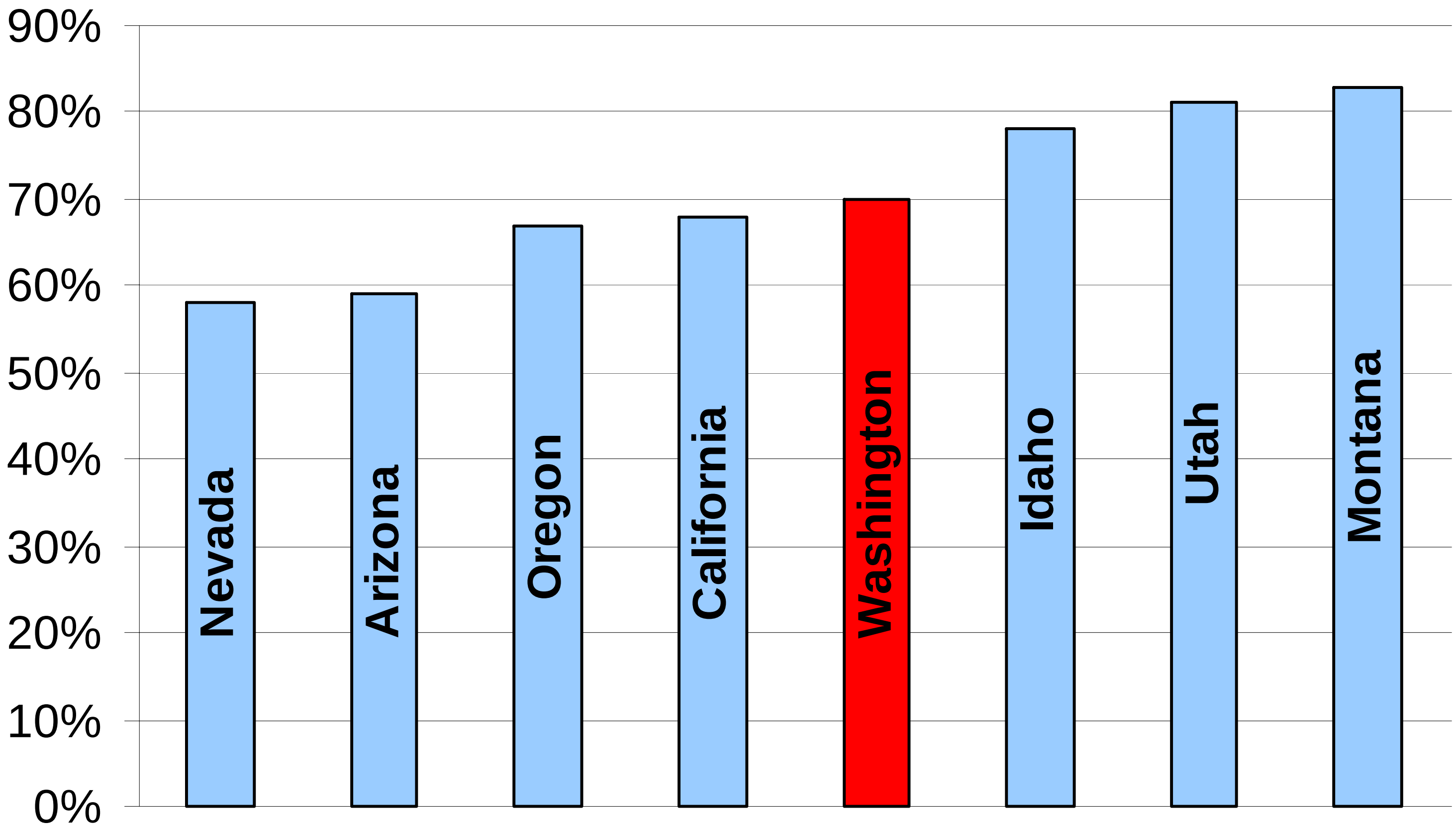
- **Most livable state** ranking 2005: 25/50 (18/50 in 1991)
- **Education:** 2003 high school dropout rate: 33.8%
  (down from 34.3% in 2002)
  * 33/50 in a 2002 national report (1998 rates)
- **Transportation:** Peak travel times on Seattle area commutes has been flat since 2001. Average highway travel time is 22 minutes.
  * 41/51 state in US Census average commute time

Most Livable State rankings



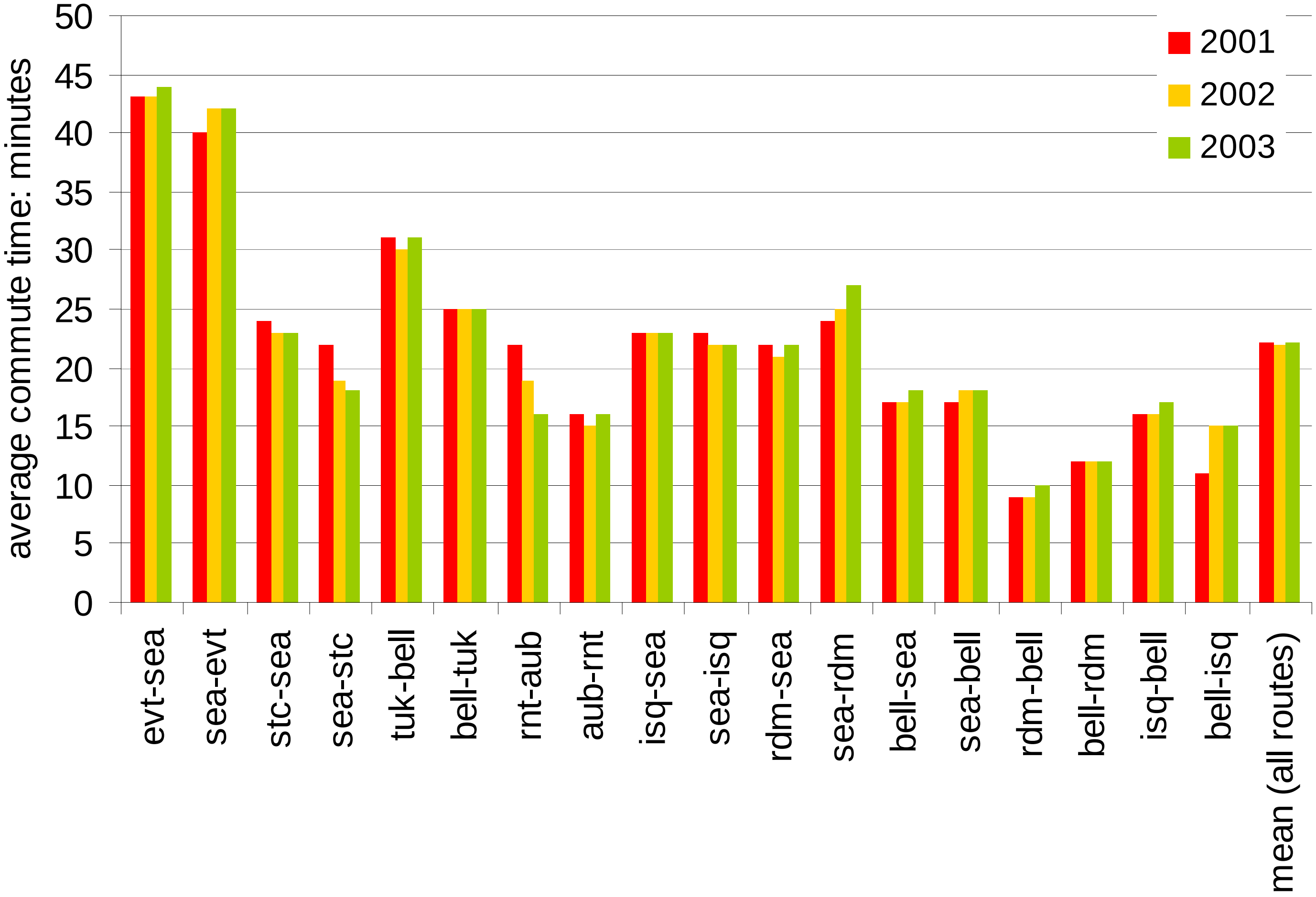
Source: Morgan Quitno Press, http://www.morganquitno.com/sr05mlrnk.htm

Percent of 8th graders graduation from high school, 1998



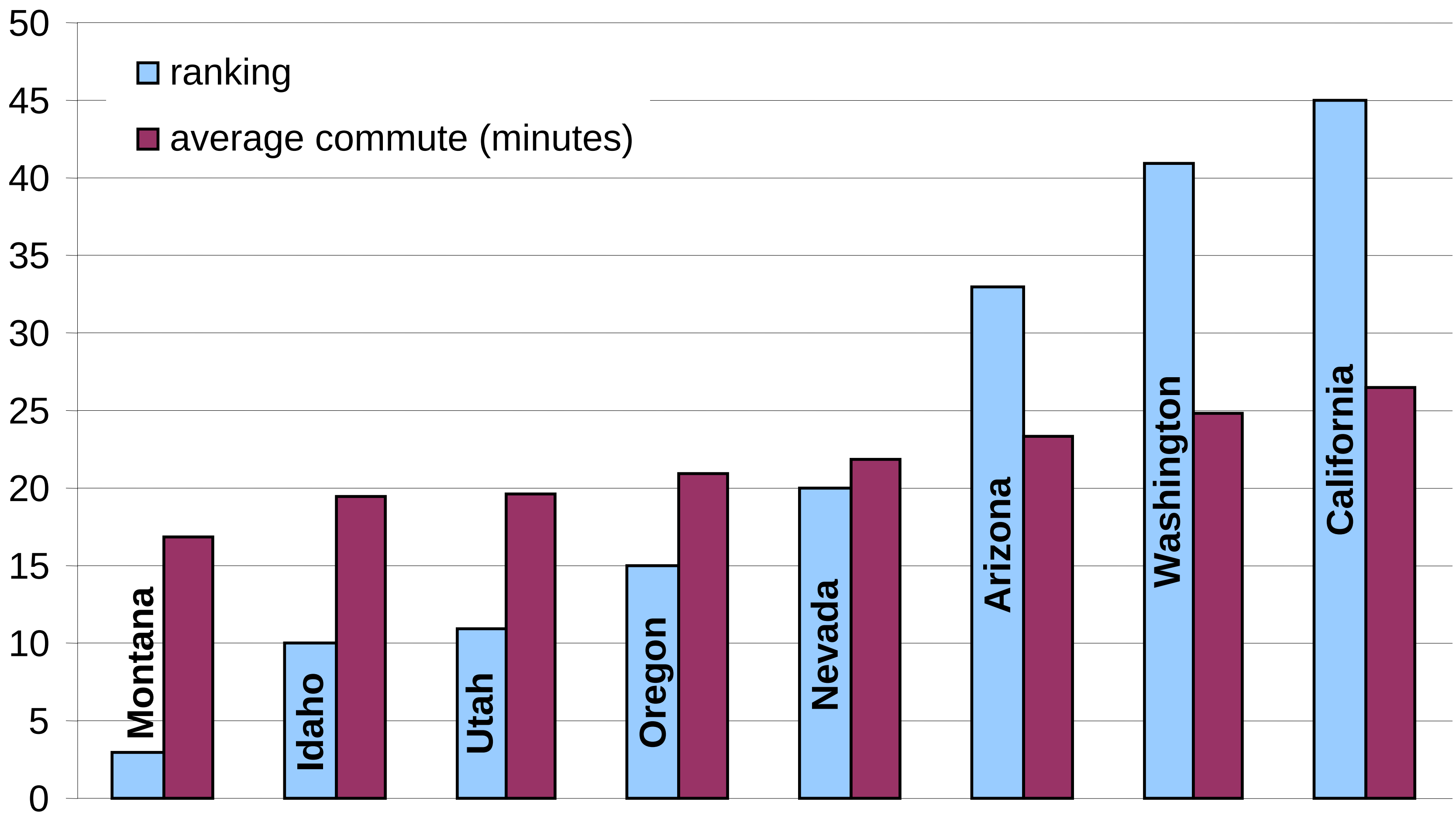
Source: Jay P. Greene, “High School Graduation Rates in the United States.” Manhatten Institute for Policy Research, April 2002; http://www.manhattan-institute.org/html/cr_baeo.htm

Peak travel times on Seattle metro area highways



Source: Washington State Department of Transportation, http://www.wsdot.wa.gov/accountability/peaktime/Travel_Time_Summary_2001-2002.pdf

Comparing Washington commuting time to other states



U.S. Census, American Community Survey 2003; http://www.census.gov/acs/www/Products/Ranking/2003/pdf/R04T040.pdf

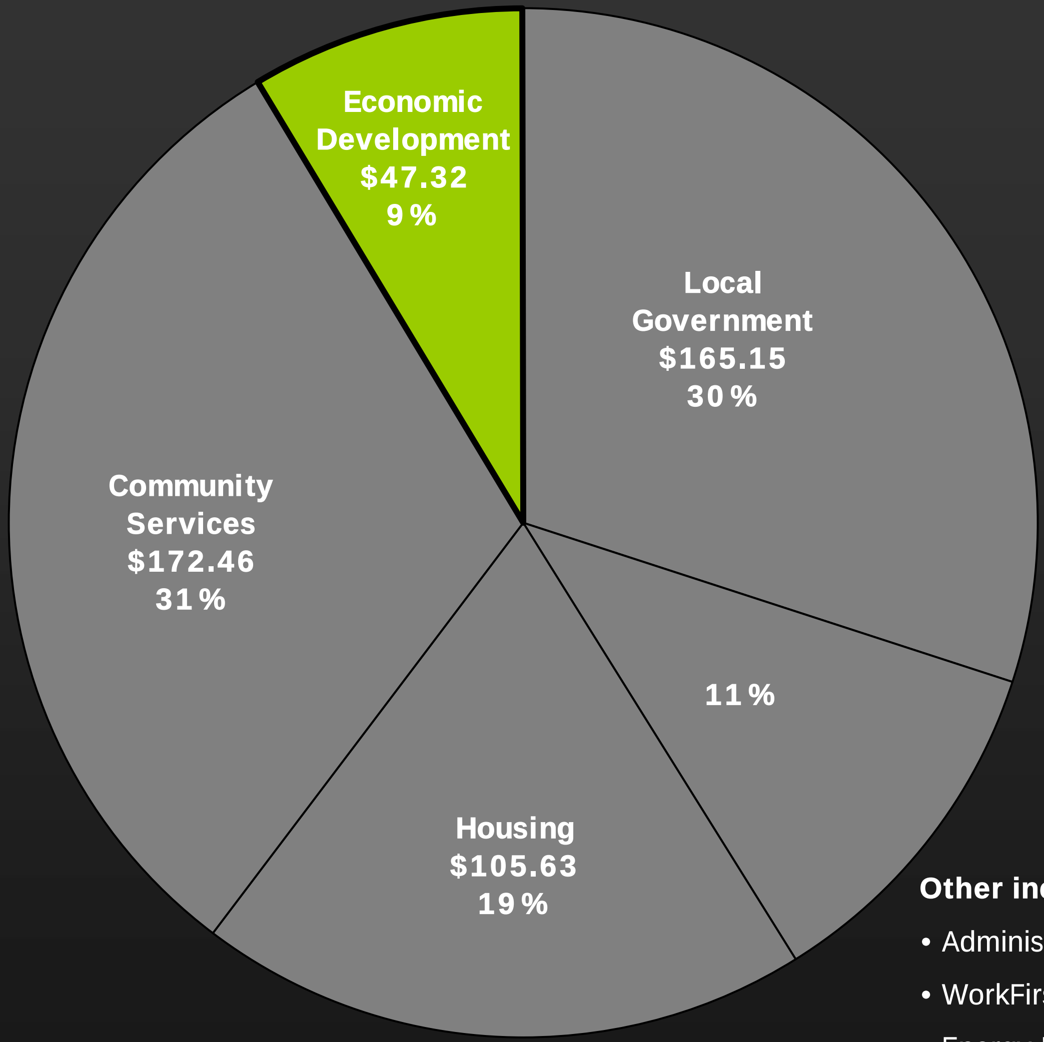
Level III: Individual Agency Results that contribute to economic vitality

1. CTED
2. WSDA
3. ESD

Department of Community, Trade and Economic Development

Healthy Economy + Healthy Community = Economic Vitality

9% of CTED dollars (in Millions) go to Direct Economic Development Activities

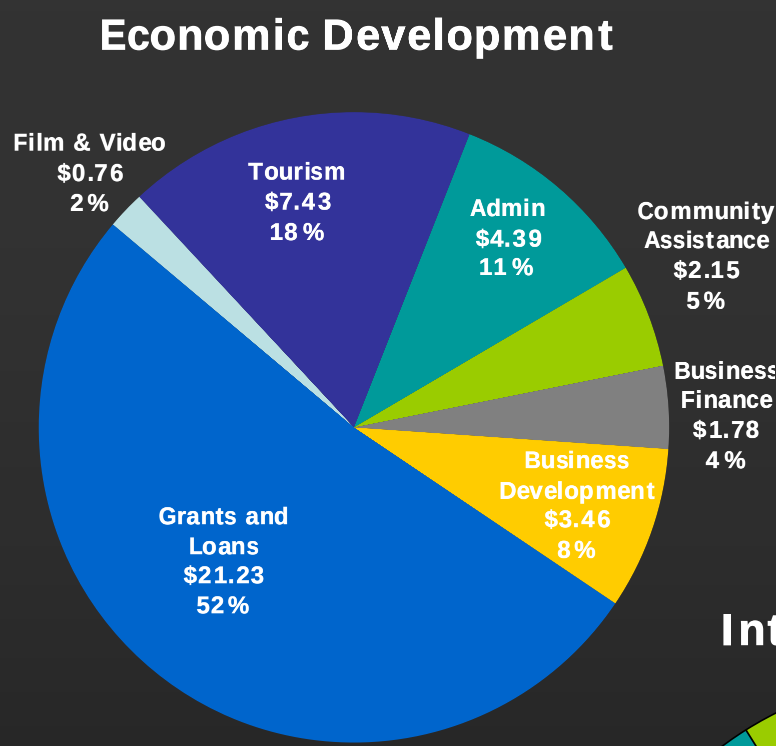


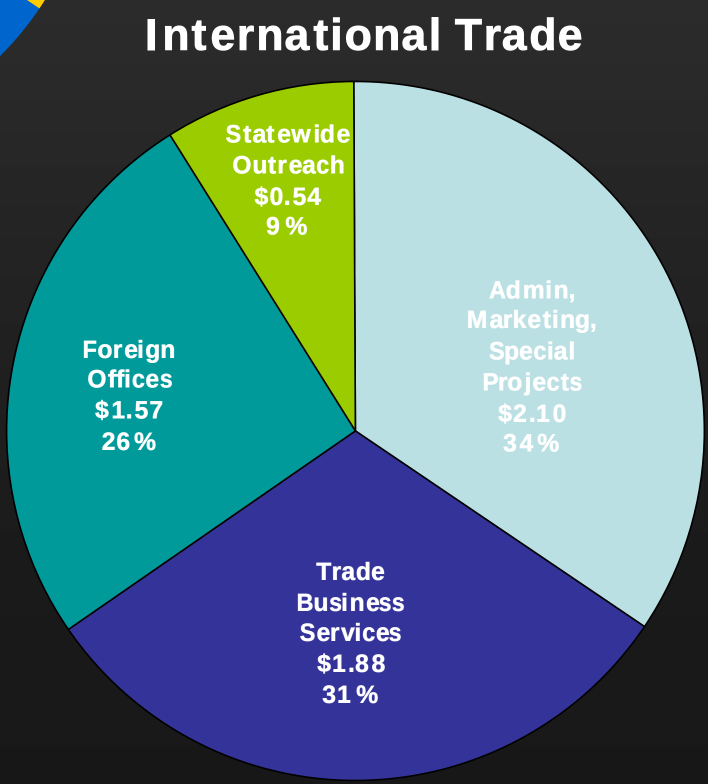
Other includes:

- Administration - 3%
- WorkFirst - 5%
- Energy Facility Site Evaluation Council - 2%
- Energy - 1%
- Building Code - <1%

Department of Community, Trade & Economic Development

Economic Development & International Trade Budgets for FY03-05 Biennium
(in millions)





Department of Community, Trade & Economic Development

Process for Incoming Project Leads

Lead is generated from State officials, allied organizations (ports, businesses, associate development organizations), individuals (business leader, site selector, entrepreneur) or on ChooseWashington.com.

Lead goes to staff.

Staff conducts initial research prior to contact.

Staff contacts lead & makes initial determination whether or not to proceed.

Staff works with co-workers and communities to assess available resources & arrange site visits.

Staff and communities create an incentive & assistance package for potential project.

Incentive & assistance plan is approved.

Project development begins.

JOBS CREATED!

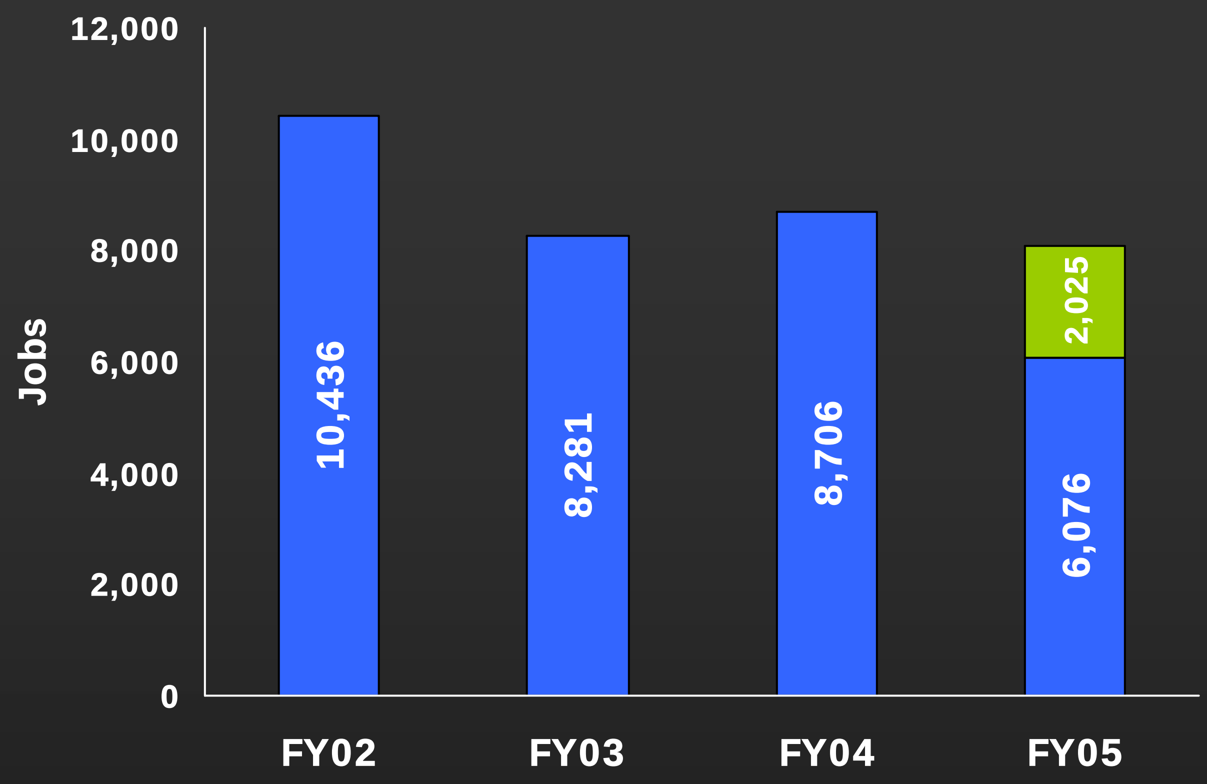
Department of Community, Trade & Economic Development

Jobs Generated with CTED Economic Development Dollars Decline

Definition: Number of jobs generated with CTED economic development dollars.

Methodology: Numbers are reported quarterly.

Weakness: FY 05 4th quarter numbers in bright green are estimates.



ANALYSIS
- FY02 numbers are higher due to large investments made prior to 9/11.
- Continuing recession effects keep numbers low through FY03-FY05.

ACTION ITEMS
- Prepare a long term economic development strategy anticipating economic trends.
- Develop research capacity to understand the dynamics of the Washington's economy, targeted sectors and economic cycles.

New Businesses Sited or Expanded Shows Growth Potential

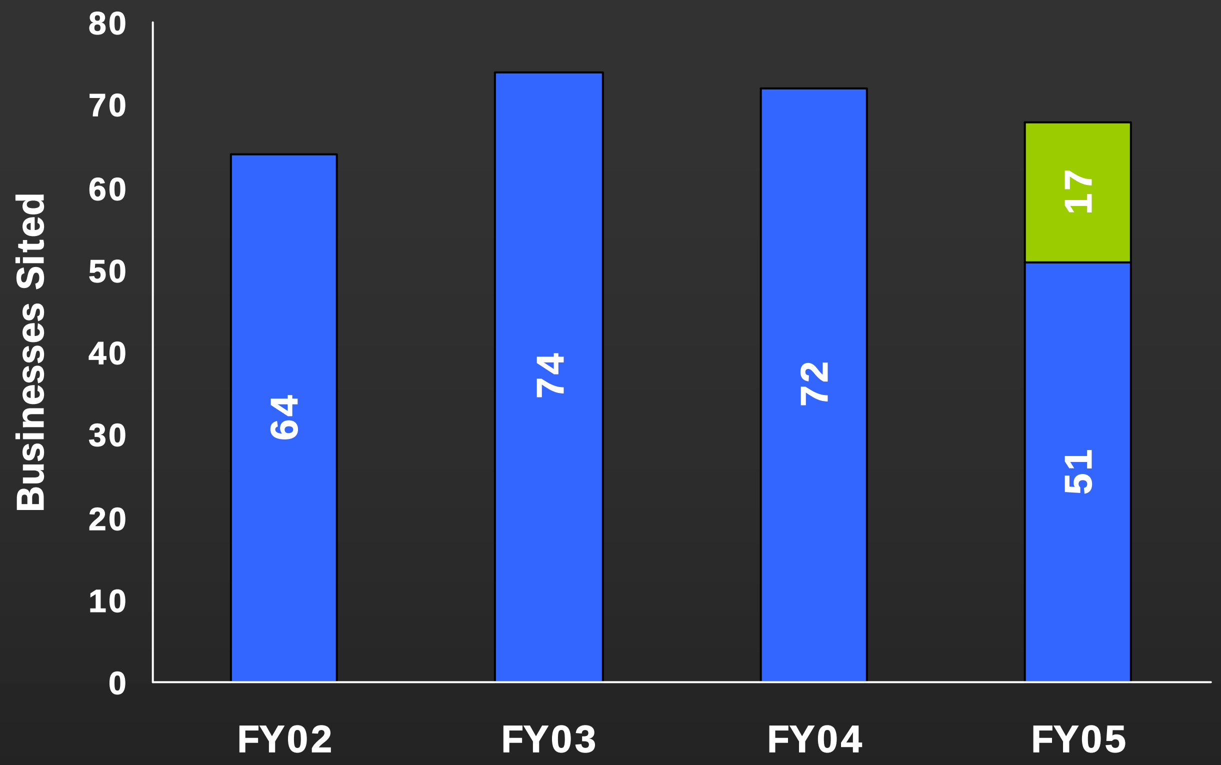
Definition: Number of new businesses sited/expanded with help of CTED or contractor assistance.

Methodology: Data is self reported on a quarterly basis from Associate Development Organization contractors.

Weakness: FY 05 4th quarter numbers in bright green are estimates.

Data does not reflect the number of jobs created or size of the sited or expanded business' capital investment.

Department of Community, Trade & Economic Development



ANALYSIS

- Numbers should continue to trend upward with overall economic recovery and addition of new legislative and executive initiatives (e.g. Job Development Fund, Governor's Opportunity Fund, Business Ambassadors).
- Continue working to find recruitment tools which compete with the recruitment resources of other states.

ACTION ITEMS

- Complete and implement "Connecting with Business" that directs staff resources to increased interaction with business.

CTED, Private and Overall Investment Dollars
(in millions)

Definition: Total capital invested in projects that received funding from CTED.

Methodology: Numbers are reported quarterly and the overall economic impact number is calculated using the IMPLAN (a multiplier) model for Public Works Board. Numbers are estimated and then checked for business finance and Community Economic Revitalization Board.

Weakness: Does not include all of CTED's funding sources.

Department of Community, Trade & Economic Development

SOURCES FOR CTED FUNDING

	Year	Investment	Other Leveraged Funds	Leverage Ratio
Public Works Board	FY04	$283.14M	$1325M	5:1
	FY05	$275M	$1,287M	5:1
Community Economic Revitalization Board	FY04	$7.31M	$133.8M	18:1
	FY05	$5.6M	$172.5M	31:1
Business Finance	FY04	$4.61M	$57.57M	13:1
	FY05	$10.9M	$150M	14:1

ANALYSIS

- Multiple fund sources are available to enhance economic vitality. Public health and safety needs drive Public Works Board investments, economic opportunities drive Community Economic Revitalization Board investments in infrastructure improvements and small and medium sized business financing gaps are met by business finance loans.
- Technical and financial gaps exist in urban and high technology areas.

ACTION ITEMS

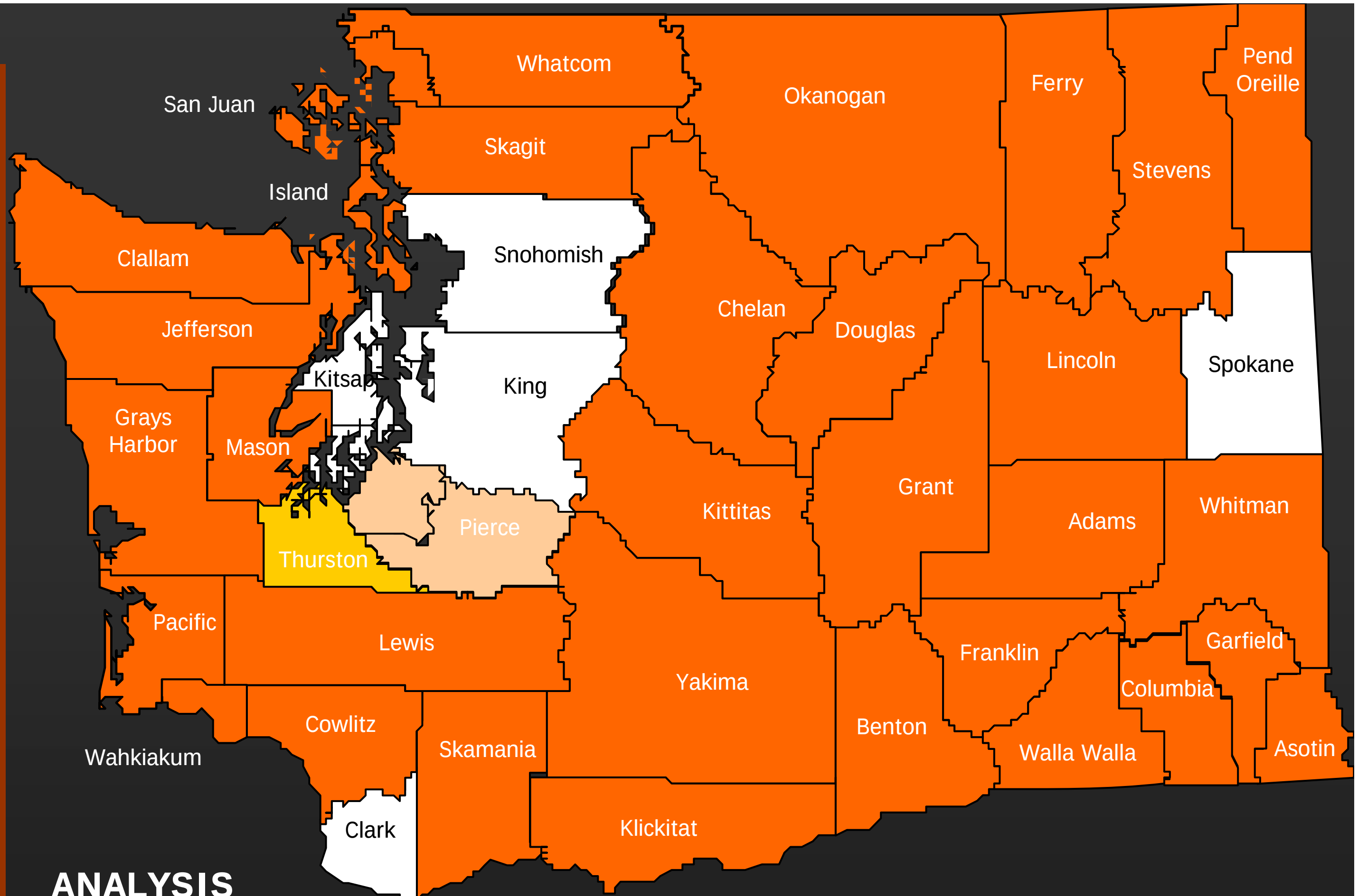
- Propose ways to answer financial and technical assistance gaps (e.g. expanded use of lottery monies and targeting Enron oil overcharge money).
- Secure Congressional support for more flexibility in setting up and using pooled federal funds.

Washington's Most Populous Counties Only Eligible for Minimal CTED Funding

Does not include Public Works Board or Community Development Block Grant money.

CTED has $44,637,000 available to lend statewide through 11 Business Finance loans and the Community Economic Revitalization Board program.

Department of Community, Trade & Economic Development



ANALYSIS

•$43.99 Million dollars of our overall funds are available to these counties.
•$33.79 Million dollars of our overall funds are available to these counties.
•$9.11 Million dollars of our overall funds are available to this county.
•$8.68 Million dollars of our overall funds are available to these counties.

ACTION ITEMS

- Implement new funding sources and analyze community needs to ensure we are not missing job development opportunities due to inflexible funding.
- Align business incentives and resource allocation to better respond to future business and economic trends and opportunities.

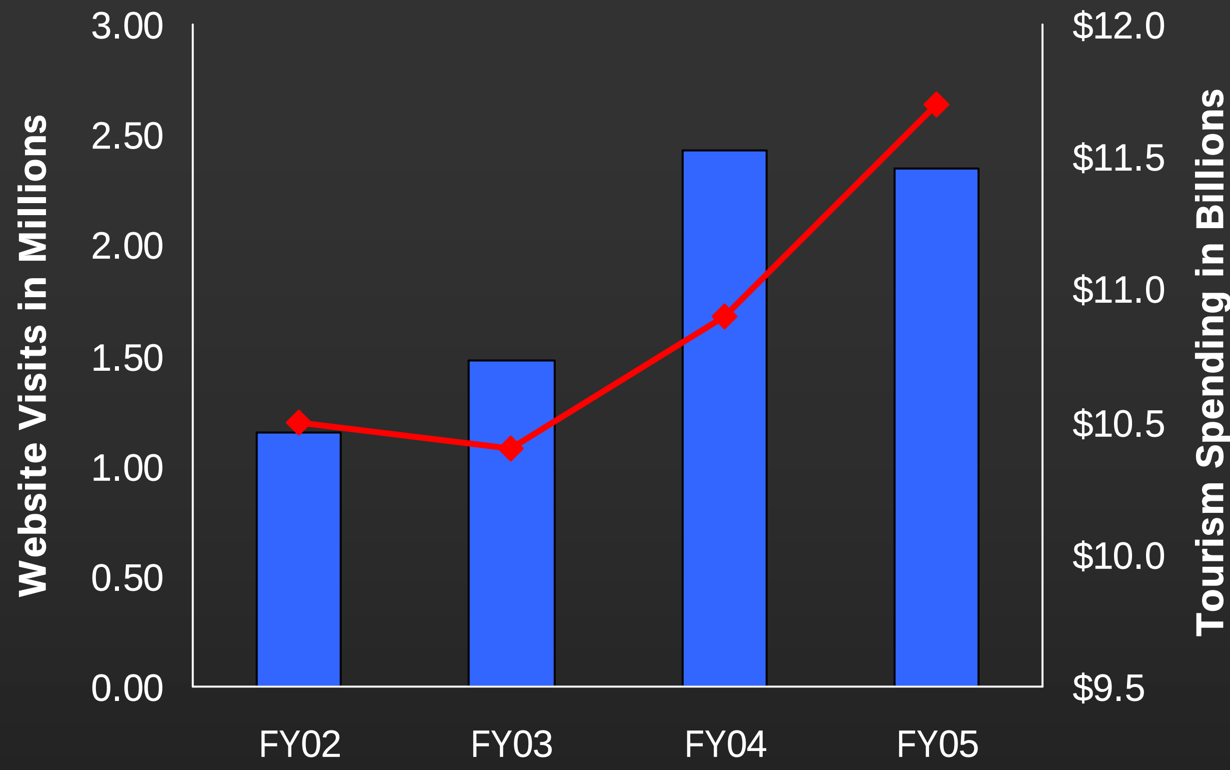
Increases in Tourism Website Visits and Tourism Spending

Definition: Number of site visits to ExperienceWashington.com Washington's tourism website.

Methodology: Numbers are compiled quarterly by web hits tracking software. Tourism spending numbers are compiled annually and are inclusive of all tourism spending.

Weakness: Chart only shows the number of visits to the website, not the average time spent or number of pages viewed. These statistics will be added in the future.

Department of Community, Trade & Economic Development



ANALYSIS

• Increasing in tourism web site visits may be correlated with an increase in tourism spending.

ACTION ITEMS

• Locate additional partnerships that we can use to promote Washington as a tourist destination and experiencewashington.com as a travel planning tool.

• Locate additional partnerships with Idaho, Montana and Oregon to promote the Northwest as a travel destination.

Our Trade Services:

We help Washington companies export their products and services and expand their market share abroad.

*This represents how a company may engage in trade services. They can enter at any stage of the continuum.

How to Export → **Market Analysis** → **Buyer & Trade Leads** → **Credit & Financing** → **Moving Goods**

How to Export
- One-on-one counseling
- Introductory seminars
- Industry & market seminars

Market Analysis
- Market intelligence

Buyer & Trade Leads
- Matchmaking meetings
- Partner search
- Qualified trade leads
- Trade show participation
- Trade events
- Trade promotion

Credit & Financing
- Mitigate payment risk
- Extend buyer credit
- Export-Import bank guarantees

Moving Goods
- Transaction complete
- Washington Company successfully competing in global marketplace

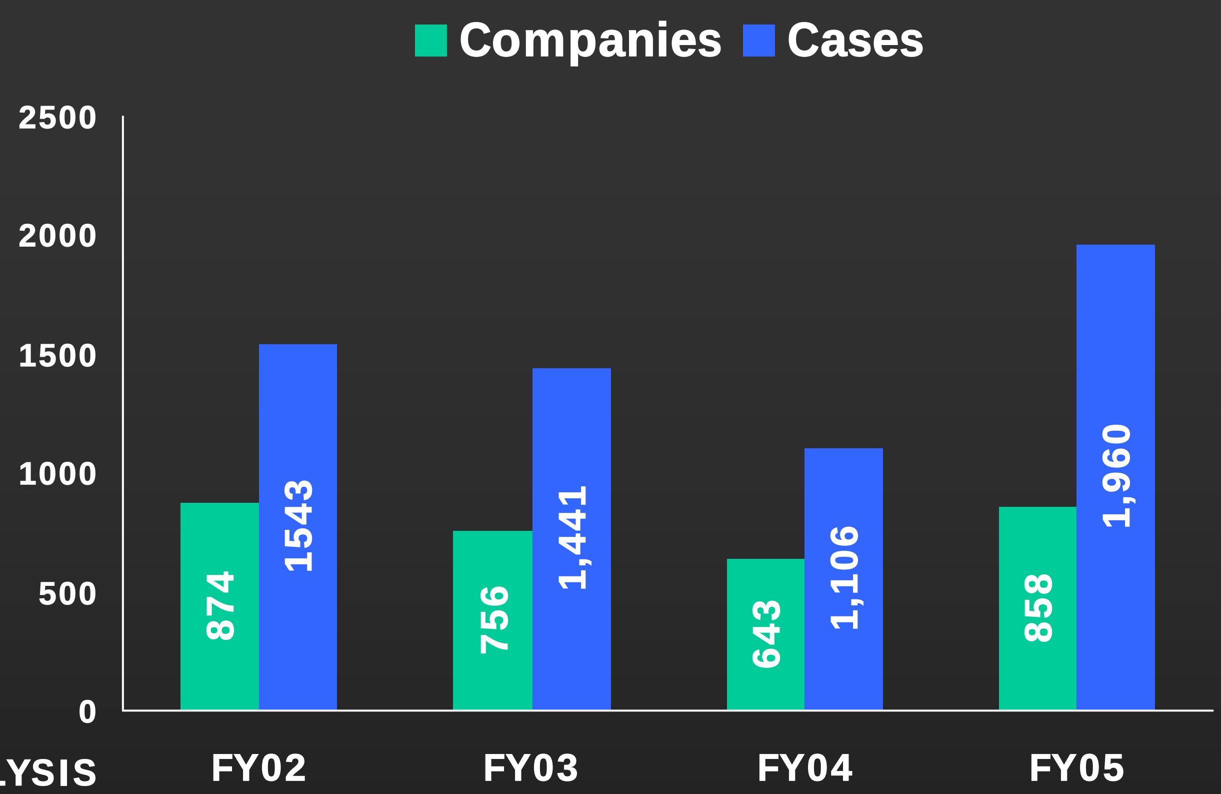
Department of Community, Trade & Economic Development

Companies Receiving Export Assistance Grows

Definition: Number of Washington companies that received technical export assistance from CTED.

Methodology: Actual data from CTED's Customer Relationship Management (CRM) database.

Weakness: No data available before FY02.



ANALYSIS

- A case is a specific request for export assistance and one company may have multiple requests.
- Demand for technical export assistance is increasing
- Early decline in companies and cases reflects change in operational model beginning FY02.
- FY04 represents a year of change, vacancies and staff turnover.
- FY05 operational model becomes routine and works more optimally.

ACTION ITEMS

- Develop strategies to manage current business and public official demands for services or increase capacity both in Washington and worldwide.
- Develop resources to increase service to "new to export" companies.

Department of Community, Trade & Economic Development

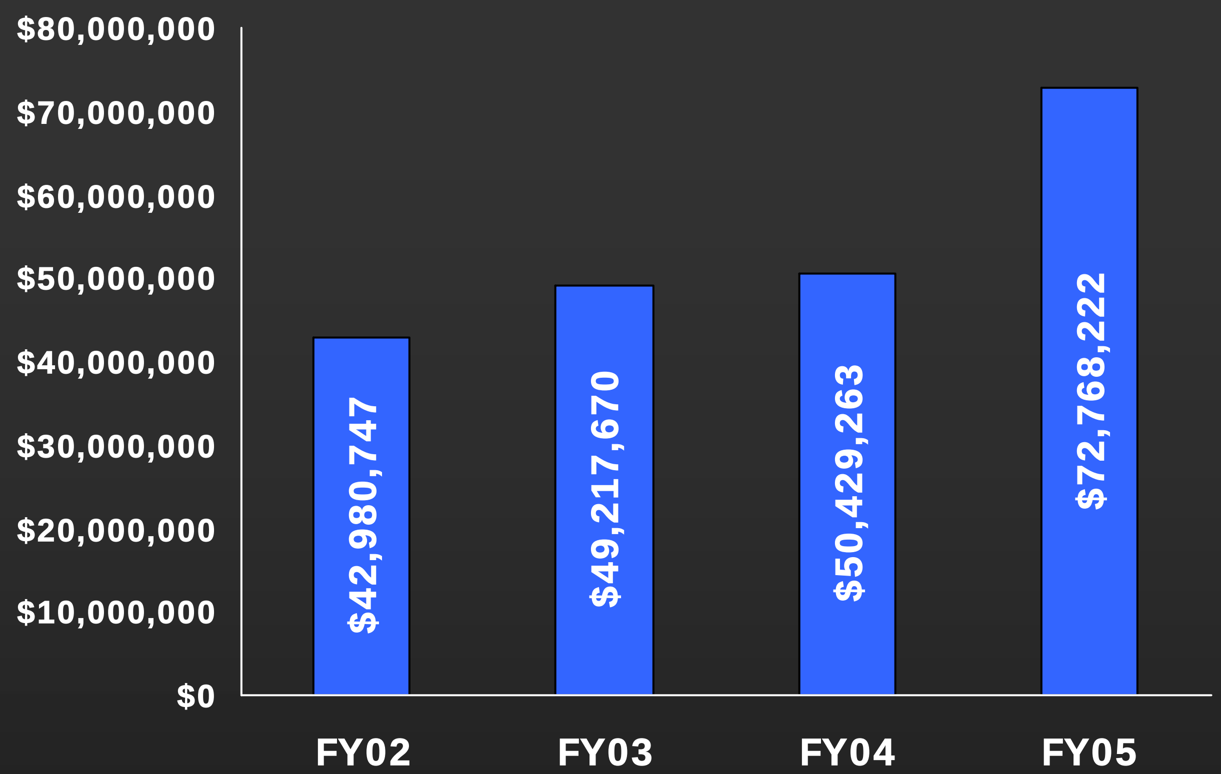
Actual Sales by Client Companies Continues to Increase

Definition: Dollar amount of exports from companies receiving CTED's export assistance.

Methodology: Actual sales reported by the client as a result of CTED's assistance.

Weakness: Sales reported usually represent first sale of client in a new market – not the ongoing sales which generally increase.

Department of Community, Trade & Economic Development



ANALYSIS

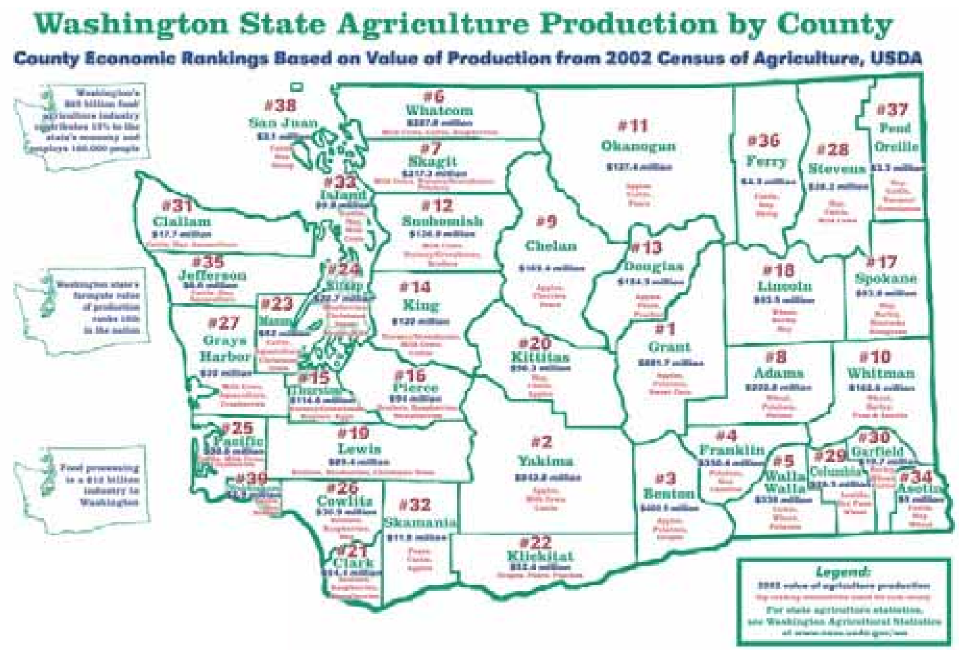
- The spike in 2005 sales was due to a few unusually large sales. Future sales are expected to be between $50 and $60 million.
- Actual sales reported by Washington companies receiving CTED's export assistance has increased.

ACTION ITEMS

- Improve follow up with client companies to get sales data.
- Continue to focus on companies that have the best potential to succeed.
- Develop programs for new to export companies.
- Continue routine surveys to Washington companies to match services and markets with client needs.

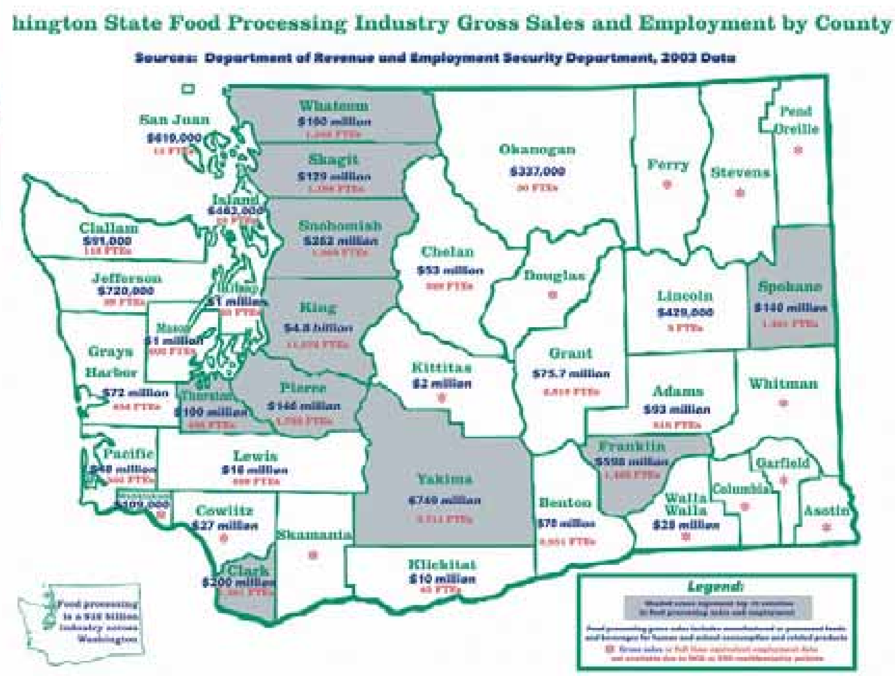
Agriculture in the Washington Economy

Where Are Agricultural Jobs Located?



TOTAL WASHINGTON FOOD & AG INDUSTRY

- Farmgate Value = $5.9 billion
- Processed Value = $12.3 billion
- Economic Impact = 13% of Gross State Product
- Employs 160,000+ people



JOB DISTRIBUTION

- 3/4ths of the agricultural jobs are in Eastern Washington.
- 2/3rds of the food processing jobs are in Western Washington.
- Most food processing jobs are near metropolitan centers.

Washington State Agriculture Production by County

County Economic Rankings Based on Value of Production from 2002 Census of Agriculture, USDA

Washington State Department of Agriculture

Washington State Food Processing Industry Gross Sales and Employment by County

Sources: Department of Revenue and Employment Security Department, 2003 Data

What is the Market Structure?

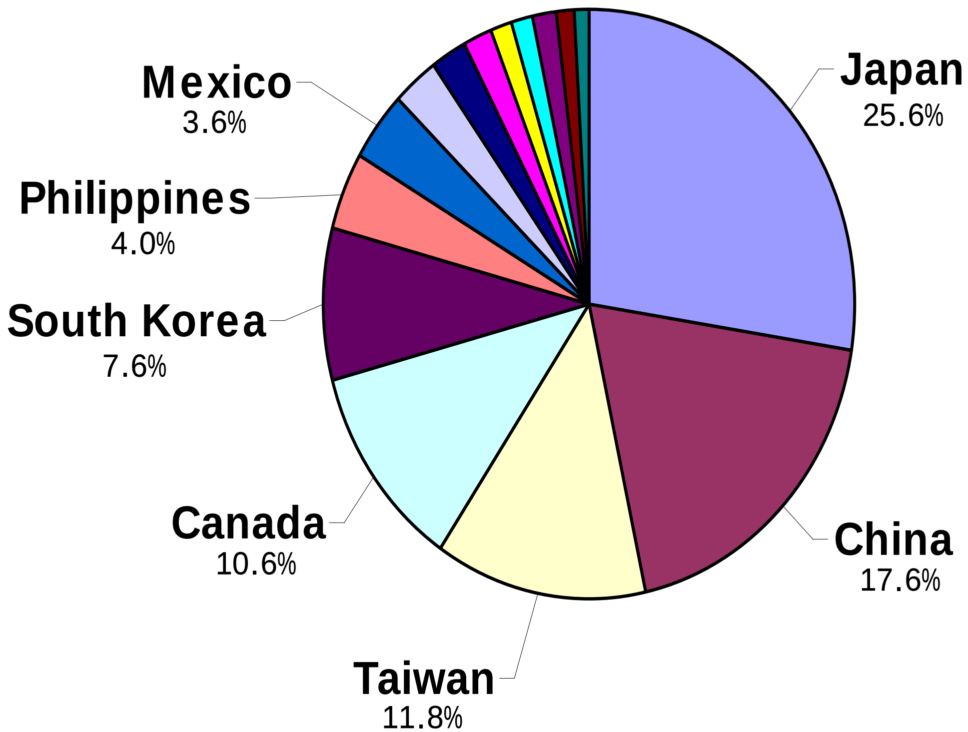
Agriculture
The growing of crops and livestock for use as food or other products.

Food Processing
Converting agricultural products into ingredients, finished foods and industrial products

RELATED INDUSTRY SECTORS

- Farmers and Ranchers
- Seed suppliers & nurseries
- Chemical suppliers
- Farm equipment suppliers & manufacturers
- Warehousing/cold storage
- Packaging
- Transportation
- Farm Services
- Ingredient suppliers & manufacturers
- Laboratory services
- Processing equipment manufacturing
- Plant design and construction
- Wholesalers, Distributors, Exporters
- Other Consultants

What Are Our Key Export Markets?



AGRICULTURAL EXPORTS

- Represent 1/3 of state's agricultural production
- Provide $1.7 billion revenue to farmers
- Have an $8.4 billion economic impact
- Create 50,000 jobs
- 2nd largest export category in state

How Do We Measure Success?

ASSISTED SALES

- Performance is measured by the value of new sales assisted, as reported by companies. Sales occurring within 12 months of an activity are reported.
- The larger long-term value of an activity effort is not fully reported because higher-value ongoing sales usually occur much later.

	FY 05
ASSISTED SALES Only sales where WSDA materially assisted the transaction within the previous 12-18 months are reported.	**$64,600,000**
GENERAL FUND CONTRIBUTION 4.01% of the value of ag export sales goes to the General Fund per Department of Revenue	**$2,590,000**
STATE GENERAL FUND BUDGET For International Marketing program	**($950,000)**
NET GENERAL FUND CONTRIBUTION General fund contribution minus program costs	**$1,640,000**
JOBS SUPPORTED $1 million in ag exports represents 14.9 jobs per USDA	**963**

Employment Security Department

Government Management, Accountability and Performance Reporting

Washington State WorkSource System

Karen T. Lee, *Commissioner*, Employment Security Department
Steve Frazier, *Chair*, Washington Workforce Association

July 2005

THE WORKSOURCE SYSTEM

A single point of contact for employers
seeking workers and individuals seeking jobs

GOVERNANCE

12 Local Workforce Development Councils
(Business, Labor, Education, Government, Non-Profits)

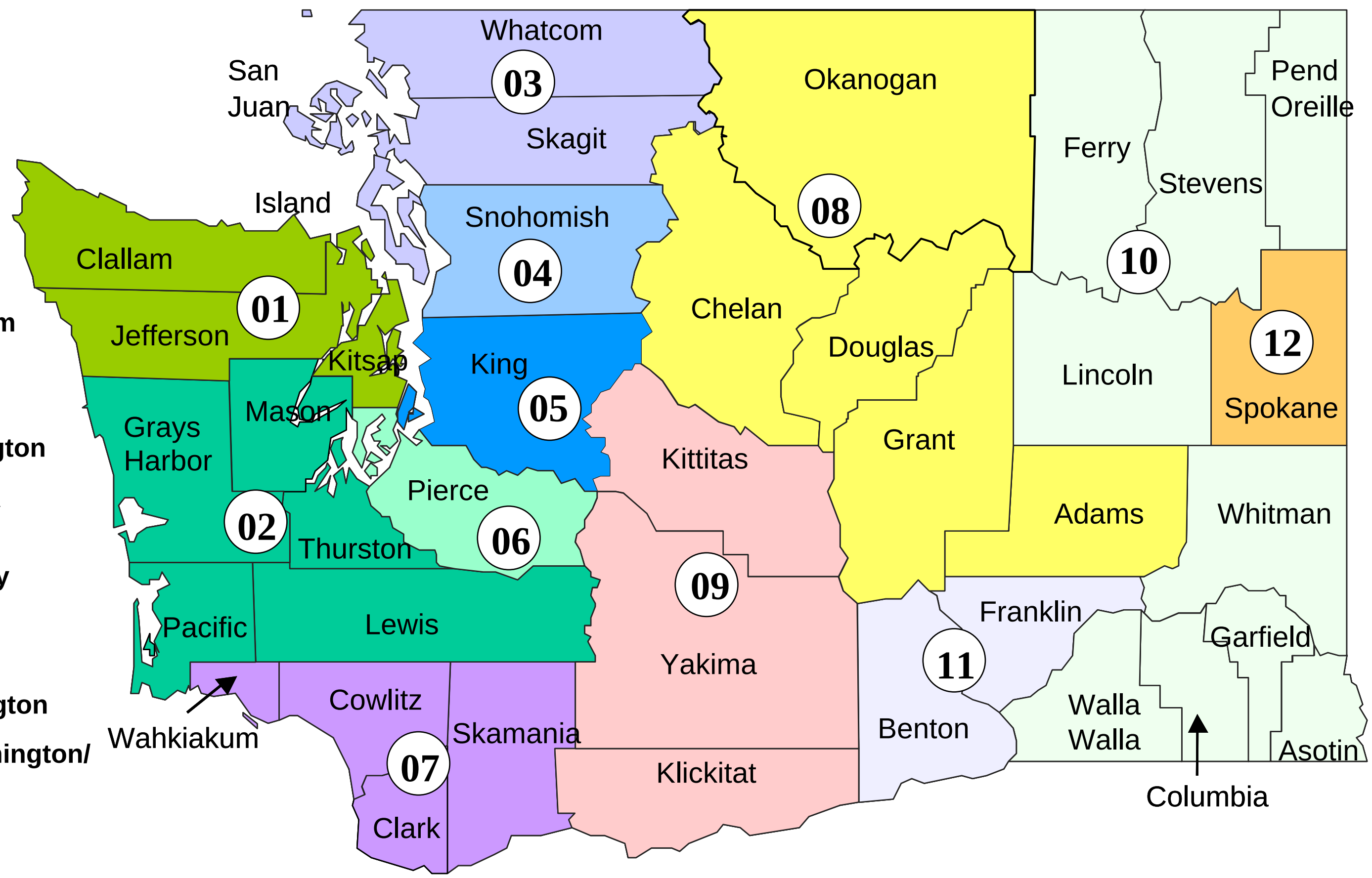
OPERATIONS

Employment Security Department/
Workforce Development Councils

ACCESS

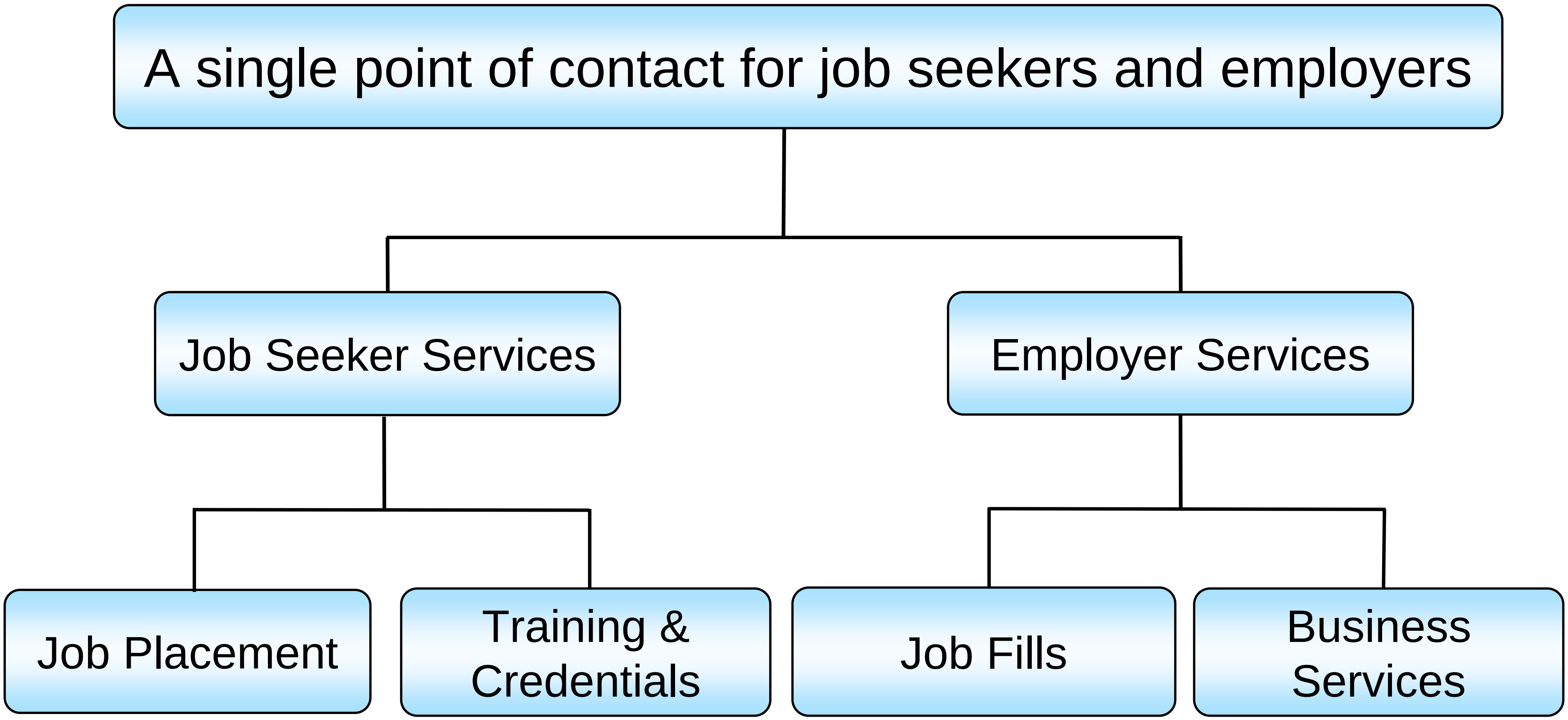
71 WorkSource Centers and
Affiliates across Washington

Workforce Development Areas



- 01 – Olympic Consortium
- 02 – Pacific Mountain
- 03 – Northwest Washington
- 04 – Snohomish County
- 05 – Seattle/King County
- 06 – Pierce County
- 07 – Southwest Washington
- 08 – North Central Washington/ Columbia Basin
- 09 – Tri-County
- 10 – Eastern Washington Partnership
- 11 – Benton-Franklin
- 12 – Spokane

WorkSource Overview



Subject to change pending further discussion with local partners.

Employment Security Expenditures in Support of Economic Vitality

- Unemployment Insurance (FY'04)
  - $907 million in benefits paid to claimants.
  - $73 million spent to administer the system.
  - Administrative costs = 7.5 percent.

- WorkSource (FY'04)
  - $137 million in total spending.
  - $51 million spent by ESD.
  - $86 million spent by local WDC partners.

Logic Model - Job Seeker Services

Activity:

We jointly operate the WorkSource system where job seekers can find jobs, information & support services.

- # of people coming to WorkSource offices.
- # of visits to the WorkSource web site.

So that ...

They can receive job search and job placement assistance or attend training/credential programs.

- # of staff-assisted job services.
- # of people receiving credentials.

So that ...

They can find appropriate jobs in a timely manner.

- # of staff-assisted placements.
- # of people who got self services and found jobs.
- Time to place.

So that ...

They can stabilize their economic situation.

- Wages + benefits at placement
- Retention rate
- Wage progression

Subject to change pending further discussion with local partners.

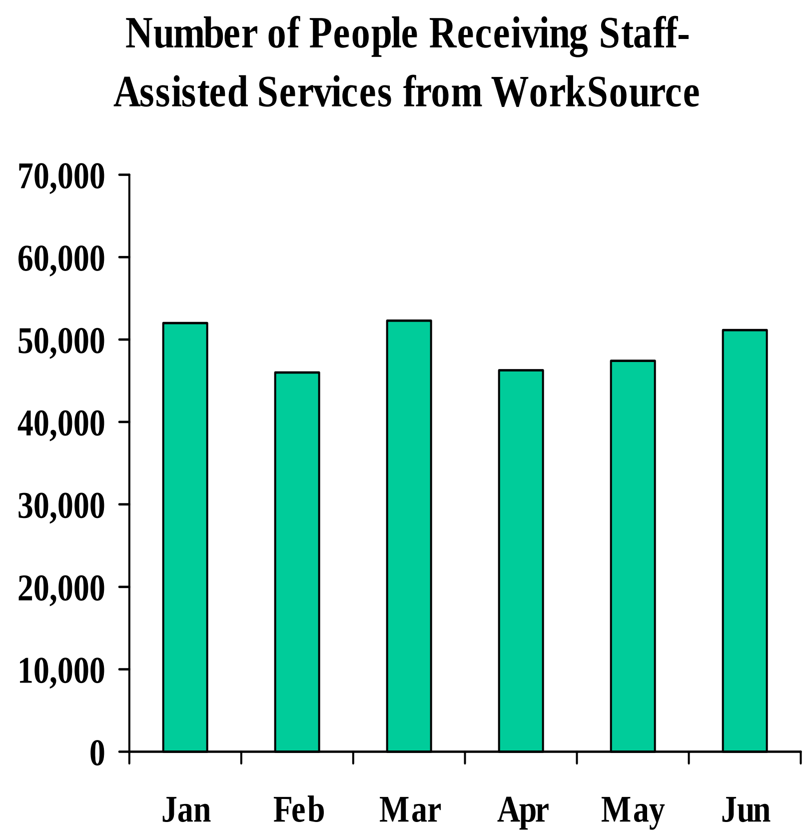
Number of People Served Through WorkSource:

• 51,000 people received staff-assisted services from WorkSource in June 2005. The 12-month average was 49,400.

• Go2WorkSource.com logged 408,700 visits in May 2005.

• *Action:* We and our local WDC partners will have a count of the total number of people who come to a WorkSource office.

• *Action:* We and our partner agencies are transitioning WorkFirst into WorkSource and exploring ways to better assess job seekers needs at intake.



Definition: Number of people served through WorkSource.

Methodology: Total number of people served by WorkSource as captured by WMS (self-directed services), SKIES (staff-assisted or intensive and training services), and Go2WorkSource.com (internet).

Weaknesses: The self-directed number is understated. WMS is undercounted as not all visitors swipe their WMS card when they visit WorkSource; internet visits cannot be unduplicated and can be difficult to track. There may be some double counting between staff-assisted and self-directed numbers.

Subject to change pending further discussion with local partners.

People Who Got Jobs:

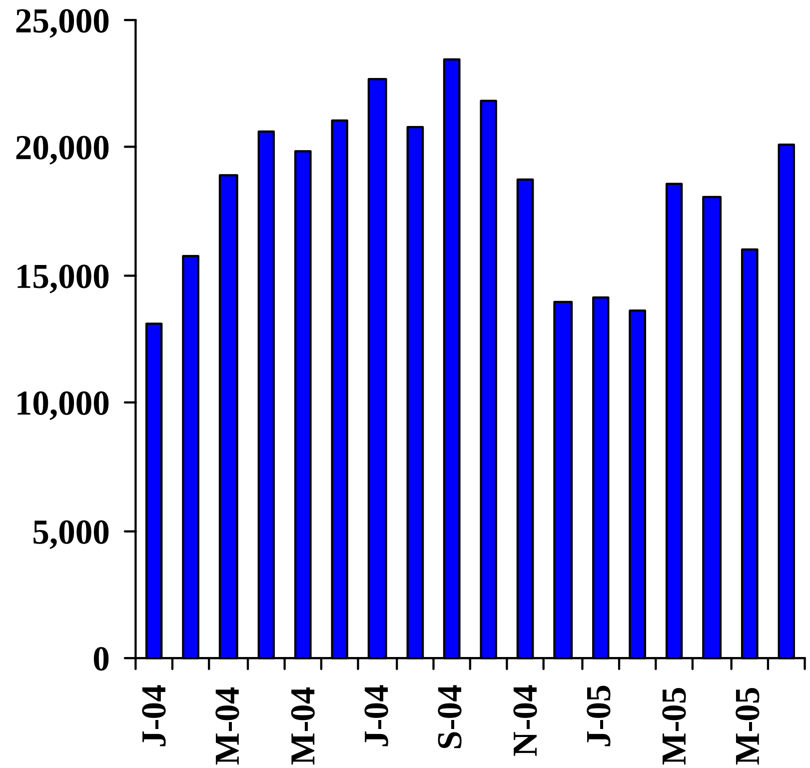
• 20,100 people who received staff-assisted services through WorkSource were placed in a job in June 2005, a 2 percent increase from June 2004.

• The median time to placement for the individuals placed in June 2005 was 187 days, down from 203 days in June 2004

• *Action:* By October 2005, we will have a measure of the number of people who received self-directed services and got jobs.

• *Action:* By November 2005, we will define measures of job retention and wages for both self-directed and staff-assisted customers who got jobs.

WorkSource Staff-Assisted Placements



Definition: Estimate of the number of people who got jobs after receiving WorkSource services.

Methodology: New hire data and placements recorded in SKIES (staff-assisted or intensive and training services) are used to get an unduplicated count. WMS (self service) will be cross-matched against new hire data to get an unduplicated count. Future improvements will include the use of Unemployment Insurance wage data. Median time to placement measures the first recorded service in a reference year to the date of placement.

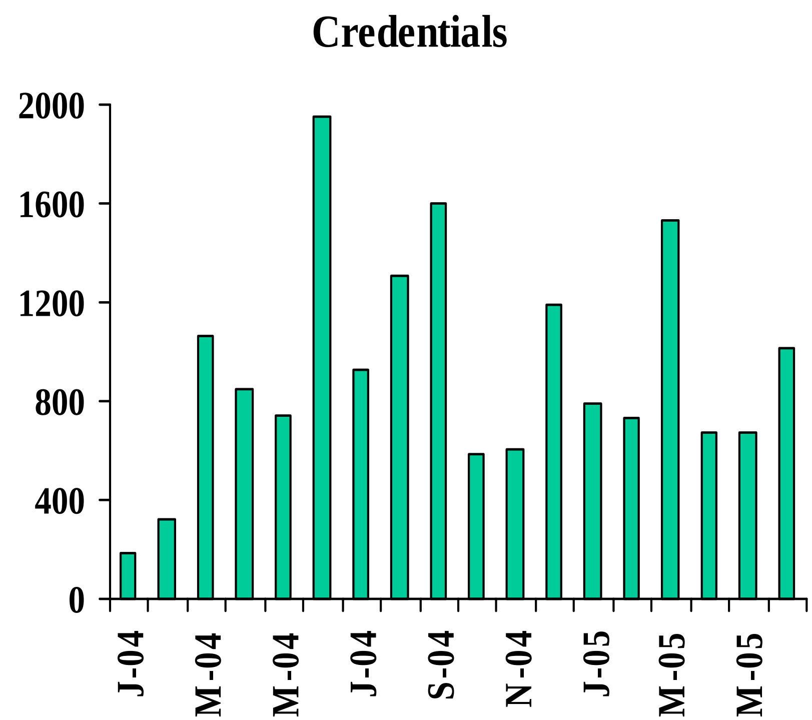
Weaknesses: Neither the SKIES nor WMS system captures all placements; may use multiplier in the future.

Subject to change pending further discussion with local partners.

Credentials:

• 5,400 individuals completed credential programs during the first half of 2005, which was 6 percent more than the same period a year ago.

• *Acton:* We will complete an appraisal of the data systems and outcomes related to credentials to determine how long it takes completers to get jobs, their post-training wage, and the link between their training and the kind of job they got.



Definition: Number of credentials granted to individuals in Workforce Investment Act (WIA) and Trade Adjustment Assistance (TAA) Act training programs (4-year, 2-year, adult GED/HS completion, occupational certification, or occupational license).

Methodology: Number of individuals who receive Workforce Investment Act and Trade Adjustment Assistance Act funded training services who completed training programs as documented by formal certification.

Weaknesses: Does not capture training credentials granted to those not in WIA or TAA programs. Training providers do not consistently record completion data. Unable to capture those who left programs early for jobs in a field for which certification was pursued.

Subject to change pending further discussion with local partners.

Logic Model - Employer Services

Activity:

We jointly operate the WorkSource system where employers can get assistance with their hiring needs.

- # of employers asking for assistance.
- # of job orders.
- # of job openings.

So that ...

They can hire the workers they need in an efficient and timely manner

- # of referrals.
- # of referrals per opening.
- # of hires.
- Time to fill.

So that ...

They can concentrate on growing their businesses and rely on WorkSource to find the workers they need, when they need them.

- % of job openings filled.
- % repeat business.
- # of new jobs created.

Subject to change pending further discussion with local partners.

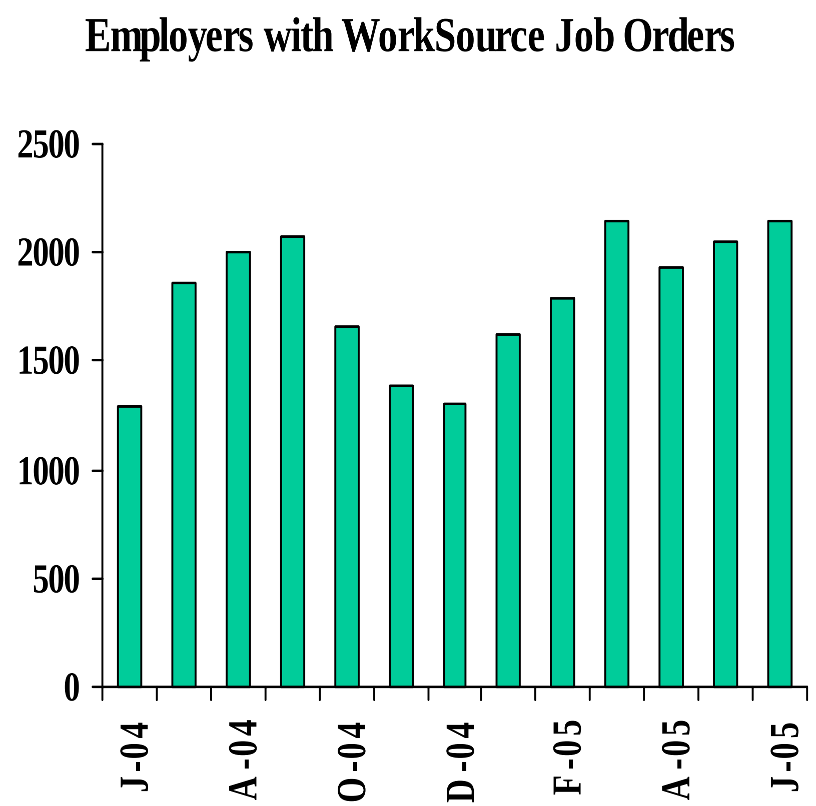
Employers Hiring Through WorkSource:

• 2,200 employers listed job orders through WorkSource that were either placed or closed in May 2005.

• 24 percent of those employers had all of their job openings filled.

•*Action:* Local WDCs and ESD are jointly working to more effectively standardize and market employer services.

• *Action:* We will assess data on WorkSource usage by firms assisted by CTED and EDCs.



Definition: Employers who hired through WorkSource.

Methodology: Unique (unduplicated) employers that list a suppressed job order through WorkSource and from that time the first hire created is counted. Repeat business counts unduplicated employers who had an order's first hire during the month and also hired during the previous 12 months.

Weaknesses: Job order status can change from open to hold during the life of an order. Not all employers who hire through WorkSource show up in job orders in the SKIES system.

Subject to change pending further discussion with local partners.

Job Openings Filled:

• 9,000 job openings were listed through WorkSource in May 2005.

• 20 percent of those job openings were filled.

• 750 employers who listed with WorkSource during the previous 90 days had their first job order opening filled in the month of June for an average of 23 days.

• 57 percent of those employers also hired through WorkSource in the previous 12 months.

Definition: Job openings filled as a share of total job openings from all job orders that come into WorkSource.

Methodology: The total number of job openings in all unique (suppressed) job orders placed through WorkSource. Suppressed means we held the contact information for the employer and did pre-screening of applicants before referral.

Weaknesses: Not all non-hire related business services are recorded (e.g., skill assessments, job fairs, skill panels).

Subject to change pending further discussion with local partners.

Actions to Improve Performance

- Data system enhancements to labor market information, WorkSource, and Unemployment Insurance for better planning, policy-making, and decision-making.
- Realign organization to instill clear accountability.
  - Establish outcome-based measures with clear targets.
  - Hold weekly GMAP meetings with ESD personnel.
  - Tie pay to performance.
- Integrate services through WorkSource for vulnerable customer groups.